CHAPTER 3

APPLICATION INSTRUCTIONS, NARRATIVE QUESTIONS, FORMS AND REVIEW PROCEDURES

Section 300 Purpose

This chapter has two major components. The first component, Sections 301 to 305, contains the Housing Trust Fund (HTF) Application Package instructions. It contains instructions to apply for capital funds from the HTF including set-asides and the federal HOME program and all necessary forms. The Home Ownership Application instructions and forms are contained in Chapter 6 of this Handbook. The information provided by applicants in response to the application package is the basis for all funding decisions. If you need clarification on the guidelines for questions in the application or documentation required, refer to Chapter 2 of this Handbook.

The second component, Sections 306 to 308, describes CTED procedures for reviewing, evaluating and underwriting applications, notifying applicants of funding decisions, and submitting requests for reconsideration.

Application Instructions

Applications must be **submitted in two stages** approximately one month apart. The purpose of the first stage is to provide CTED with an indication of the amount of funds that will be requested and the types of projects proposed. It also allows additional staff time to review financial statements.

Stage 1

NOTE: HTF applicants may not need to submit Stage 1-related audit reports, financial statements and tax forms for the Fall 2003 HTF Stage 1 application process.

If you submitted an HTF application during the Spring 2003 application round, please either check the Stage 1 instructions addendum on the Housing Division website @ http://housing.ocd.wa.gov or contact the Housing Division staff to confirm the need for such documents. You will still need to submit a project summary and a waiver request (if applicable).

If you did not submit an HTF application during the Spring 2003 application round, please follow the instructions noted below for Stage 1**.**

Stage 1 of the application consists of one copy of the following:

- The completed Project Summary (Form 1 is required for each Fall 2003 application)

- Complete audit reports for each of the past two years for the applicant, including an OMB circular A-133 supplement as appropriate, any audit findings, corrective action plan, management letter and agency response (see note above).
- If the applicant organization has not been audited, financial statements for each of the past two fiscal years and a year to date statement certified by the applicant's C.F.O. Financial statements will include balance sheets and cash flow, revenue and expense and long-term debt statements (see note above)
- If the applicant has not been audited, submit copies of filed tax return 990 forms for the past two years if a nonprofit organization or submit the previous year 990 form if the applicant is new and only has one. Please note if you have requested an extension for the 2002 return and when the return will be sent to the IRS (see note above).
- If the proposed request of funds exceeds HTF funding limits (see Section 201.3), a letter addressed to the Assistant Director of the Housing Division requesting a waiver from the limit, including a discussion of the reasons for the request. The maximum award amount provided to a rental housing project is $1.5 million per funding round. No more than two projects may be proposed per applicant and each applicant is limited to $2 million per funding round. The maximum award amount for a homeownership or single-family rehabilitation project is $500,000.

Due Date: **5:00 p.m. on Wednesday, August 15, 2003.** There will be **no exceptions** to this deadline. Faxed or emailed materials will not be accepted.

NOTE: **Applicants must pass Stage 1 requirements in order to be considered for Stage 2.**

Stage 2

Stage 2 of the application consists of the remaining application requirements as described in this chapter.

Complete the application in accordance with the Application Table of Contents provided. Create tabs, using the numbering system in the table of contents located in Section 309. Numbers have been assigned to all questions requiring narrative responses and all forms. Do not substitute any forms. Place the responses and attachments under the appropriate tab in the following order: narrative response, form and attachments.

Use the Application Table of Contents as a handy checklist for ensuring that your application is responsive to all application format and threshold requirements.

Application Format
All applications must be submitted in the following format:

- One original and 4 copies

- Original of full market study, environmental assessment and appraisal. Executive summaries in copies.
- The application is letter size (8.5” x 11”)
- Minimum 12-point font size used for all narratives
- Narratives can be in bulleted statements.
- Organized in format as illustrated in Table of Contents (Section 309)
- Tabs in HTF prescribed format as in Table of Contents (Section 309)
- All budgets and forms are in prescribed format
- The application is contained in an appropriately sized three-ring binder. A separate binder should be used for each copy.

Due Date: Stage 2 documents are due to CTED Housing Division by 5:00 p.m. September 17, 2003.

Section 301 Project Summary Instructions (Form 1)

301.1 Eligible Applicant

- Organization Name: Provide the full, legal name of your organization as it is shown by the Secretary of State in your incorporation documents. Do not use abbreviations or acronyms.
- Organization Address: Provide the mailing address of your organization.
- Organization's Unified Business Identifier (UBI): Used by the Secretary of State.
- Organization Type: Check the type of eligible organization in space provided.
- Executive Director Name: Provide name of the head of your organization, such as executive director, CEO, etc.
- Phone: Provide the telephone number for your executive director.
- Fax Number: Provide the main FAX number for your organization.
- E-Mail: Provide the e-mail address used by the executive director of your organization.
- Project Contact Name: Provide name of person who can answer questions regarding this project.
- Project Contact Organization: Provide name of project contact's organization, if different from the applicant's organization.
- Project Contact Address: Provide address of contact person, if different from the organization mailing address.
- Project Contact Phone: Provide the telephone number of the contact person.
- Project Contact FAX: Provide the FAX number of the contact person.
- Project Contact E-Mail: Provide the e-mail address of the contact person.
- Application Contact Information (if different from Project Contact above): Provide name of person who can answer questions regarding this application, name of organization, address, phone, FAX and e-mail address.

301.2 Eligible Activity

- Project Name: Provide the full name of your project. Make sure this is the same project name you use on applications to other funders.
- Project Address or Location: Provide the street address of the project or the legal description of the property if no street address.
- County: Provide name of the county where project is located.
- State Legislative District: Provide the **state** legislative district number where the project is located, **not** your organization's office.
- Federal Congressional District: Provide the **federal** congressional district where the project is located.
- Housing Stock Status: Check one.
- Project Activities: Check all that apply.

301.3 Target Populations

Check all that apply and enter number of units and beds for each special needs population group.

301.4 Proposed Number of Units Per Size and Income Level

Enter the number of proposed units by size for each income level to be served. Any resident manager units must be separately identified.

301.5 Permanent Capital Funding Sources and Total Development Costs

- Residential: List all residential capital funding sources for the project and residential development cost subtotal. Enter funding sources as committed/conditional or proposed, as applicable.
- Housing Trust Fund: This is where you include all funds you are requesting from the regular Housing Trust Fund that are not Set-Asides.
- HTF Set-Aside: This is where you specify any funds you are requesting from one of the Set-Asides. Set-Asides for the 2003-2005 biennium include Farmworker Housing, Homeless Families With Children, Persons with Developmental Disabilities, Self-Help Housing and Housing for Survivors of Domestic Violence.
- Non-Residential: List all non-residential capital funding sources for the project and non-residential development cost subtotal. Enter funding sources as committed/conditional or proposed, as applicable.
- Total Development Costs: Enter total project funding, both residential and non-residential.

301.6 Original Signature of Authorized Official

Provide name, original signature and title of person authorized to submit application. Enter date of application.

Section 302 Questions Regarding Project Design

302.1 Project Description (Form 2)

Provide a succinct, but complete description of the project and the population to be served.

302.2 Site and Project Readiness (Form 3)

Provide an architect's description of the proposed or actual site, photos of the proposed project or comparable project(s), scope and type of the project, and/or preliminary drawings. . Discuss any issues of site control, zoning, special permits, environmental hazards and licensing and how they can be resolved in a timely manner.

302.3 Project Schedule (Form 4)

The project schedule (Form 4) and cash flow statement (Form 11A) should indicate that all proposed and conditional funds will be committed within 12 months of the HTF fund award and that the project can be completed within two years of the HTF contract execution date.

- List each task for the project in chronological order and enter a projected completion date and responsible party for each task. At a minimum, show projected dates for commitment of all funding sources, any land use approvals, and milestones for property acquisition and/or construction.
- The information you provide in the project schedule must be consistent with the information provided on the cash flow statement.

302.4 Tenant Relocation Plan (Form 5)
Describe the process to be used for relocation, either permanent or temporary, and how these activities will be funded. If relocation activities are not necessary, skip to subsection 302.5.

302.5 Linkage with Local Plans and Programs (Form 6)
Describe and document the project's consistency with local plans and programs.

Section 303 Questions Regarding How the Project Meets the Needs of the Target Population

303.1 Need for Project (Form 7)
The project design and scope of work must be consistent and feasible and respond to a housing need identified by the local community and/or the state. Need for housing for the target population and targeted income levels must be supported by a market study and/or other type of needs assessment. Elements of the project must meet all threshold and eligibility requirements of the funding sources, including target population and affordability. Support services are included, if appropriate.

303.2 Support Services for Special Needs Projects (Form 8)
This section must be completed if special needs populations are identified in the Project Summary. If support services are not required, skip to the next question.

Section 304 Questions Regarding Project Financial Feasibility

304.1 Development Budget (Forms 9, 9A, 9B)

Note: Forms 9A, 9B, 9C are available in Excel format on the Washington State Housing website.

Estimates in the development budget should be reasonable, cost effective, and appropriate to the scale and complexity of the project. For multi family projects and subdivision developments, documentation of estimates by an independent, professional third party is required by HTF. The construction cost estimates should correspond to the basic construction contract line item in the development budget. If this is not the case, provide an explanation. Rehabilitation projects must include a written capital needs assessment prepared by an independent, professional third party, assessed scope of work with cost estimates and life cycle analysis plus replacement reserves to address scheduled replacements. See details in Form 9.

304.2 Development Budget Narrative (Form 9C)

- Use the chart provided in 9C to explain how the cost for each residential expense was determined and when the estimates were made.
- Use the chart to describe and highlight any variances from the prescribed contingencies.
- Identify who made the estimates and the assumptions used in making such estimates.

304.3 Financing Details, Residential Unit Cost and Financing Detail, Bridge & Permanent Financing (Forms 10A, 10B)

Note: Form 10B is available in Excel format on the Washington State Housing website.

- Enter the amounts requested; calculate the values as indicated on the Residential Unit Costs/Financing Detail form.
- Discuss your proposal for terms of the HTF award on Form 10A.
- If applicable, include funding commitment letters

304.4 Estimate of Cash Flow During Development (Form 11A)

Note: Form 11A is available in Excel format on the Washington State Housing website.

- Provide a cash flow analysis of your development budget from pre-development through completion of construction.
- On the form provided**, write the month and year of the beginning quarter of the project.** Although space for 10 quarters is provided, this does not imply that your project will or should take that much time to complete. Be sure your schedule corresponds with your funding sources' requirements for completion.
- At the bottom of the page, note any potential for lags in the flow of cash that could jeopardize the project.
- A "Sample Estimate of Cash Flow During Development" (11B) follows the form.

304.5 Proposed Rent Levels (Form 12)

For projects providing rental housing:

- Complete the Rent Worksheet. To complete percent of median income served column of the worksheet, use the current HUD Household Income Table to identify the percent of median income household served in each category of housing unit. The most current HUD Income Table can be found at www.huduser.org/datasets/il.html. In reading the HUD tables, low income means 80 percent of the area median income and very low income means 50 percent of the area median income. The information you provide on this table should be consistent with the information provided on the project summary sheet.

304.6 Operating Pro Forma (Form 13A)

Note: Form 13A is available in Excel format on the Washington State Housing website.

- Complete all 15 years of the pro forma.

- Use an income inflation factor of 2.5 percent per year. Use an expense inflation factor of 3.5 percent per year. The inflation factor should be used for each line item.
- If DCR does not conform to guidelines in Section 204.7, provide justification and attach as an additional page.
- Include all services on the support services budget whether or not your organization will provide them. Include services on the operating pro forma **only** if your organization provides the services.

304.7 Details of Operating Budget Revenues and Expenses (Form 13B)
Note: Form 13B is available in Excel format on the Washington State Housing website.

Provide brief explanation of operating budget line items. Attach additional pages, if necessary.

304.8 Details of Service Revenue and Expenses (Form 14)

Complete this form if applicable to your project. Indicate term of commitment for each committed services funding source.

Section 305 Questions Regarding Organizational Capacity of Applicant

The applicant must demonstrate that the skills and experience of the development team and the property management team, and the capacity of the organization are appropriate to the size and complexity of the project. The applicant must be able to demonstrate its management ability through fiscally sound accounting practices. The management plan must reflect responsible operation and maintenance of the project to ensure long-term viability for the length of commitment.

305.1 Management Team and Management Plan (Form 15)

Describe key property management team and management plan.

305.2 Experience of Applicant/Development/Management Team (Forms 16A, 16B)

Describe your organization's experience and capacity to develop the type of housing you are proposing.

305.3 Financial Capacity of Applicant (Form 17)

Describe the financial stability of the agency.

Section 306 HTF Application Intake, Threshold, Evaluation, and Award Procedures

The following are procedures CTED will follow to process applications received to complete threshold reviews, evaluate projects, and to make awards. These directions are intended for CTED Housing Division staff and they generally refer to the steps staff will follow in this phase of the application process.

- Verify if each application meets the 5 p.m. deadline on the application due date.

- Check each application to ensure that all the required documents are included in application.
- Use the Threshold Checklist to track the application intake, adherence to format guidelines and threshold requirements.
- Evaluate and underwrite each application in the areas of target population, project design, project financial feasibility and applicant's organizational capacity.
- In the event that there are not enough monies to fund all qualifying applications, rank applications based upon the priorities in RCW 43.185.070, giving first priority for funding to those projects that use existing privately owned housing stock. Second priority will be given to projects that use existing publicly owned housing stock.
- Awards will be made and successful applicants notified.

306.1 Intake

All applications must be delivered in person or by mail to the Department of Community, Trade and Economic Development, Housing Division, by 5:00 p.m. on the application due date that is published for each funding round. Faxed or e-mailed applications will not be accepted.

- Upon receipt of each application, staff will date and time stamp the application.
- Staff will enter data from the application face sheet into the HTF database.

306.2 Application Format and Review

Staff will review the application format using the Threshold Checklist. The following actions will be taken.

- Staff will count the number of applications submitted by each applicant to ensure that one original and 4 additional copies are included as part of each submittal.
- Staff will verify that the application is printed on regular size paper (8.5" x 11") and at a minimum 12-point font size is used for narratives.
- Staff will ensure that each application and each copy is tabbed and is enclosed in a three-ring binder.
- Staff will check that the Project Schedule, Development Budget, Development Budget Narrative, Cash Flow Statement, Proposed Rent Levels, Operating Proforma, Details of Operating Expenses, Details of Service Expenses and Subsidies are included in the prescribed format.

306.3 Threshold Review

Staff will ensure that the application includes all the following required information and documentation as described in Section 207.3. Staff will use the Threshold Checklist.

<u>Threshold Review Process for Stage 1 and Stage 2.</u>

The purpose of the threshold review is to ensure that the application is complete before it is reviewed.

- Applicants will receive written or emailed notification of the need to correct omissions in the application format and threshold items.
- Applicants will have 5 business days to submit missing materials.

- Applicants who fail to submit the missing items within 5 business days or who submit items considered unresponsive to HTF guidelines will not receive further consideration.
- Applications that fail or are unresponsive will not be accepted and will not receive further consideration for the current funding cycle.
  - The threshold review process is a pass/fail review with no scoring.
  - Applicants will be notified that they have passed Stage 1 review.

Stage 1

Threshold requirements for Stage 1 of the application are one copy each of the following:

- Project Summary
- Audited Financial statements
- If no audit, financial statements and tax forms.
- Request for funding limit waiver, if applicable. (see 201.3 for waiver criteria)

NOTE: Applicants must pass Stage 1 requirements in order to be considered for Stage 2.

Stage 2

Stage 2 Threshold Review
Threshold requirements for Stage 2 of the application are:

Project Summary Form:
Any changes to the Project Summary Form submitted during Stage 1 must be clearly identified (e.g. highlighted, bolded, italicized).

Formatting

- One original and 4 copies. Label the original on the front of the binder.
- Original of full market study, environmental assessment and appraisal. Executive summaries in copies.
- The application is letter size (8.5" x 11")
- Minimum 12-point font size used for all narratives
- Narratives can be in bulleted statements.
- Organized in format as illustrated in Table of Contents (Section 309)
- Tabs in HTF prescribed format as in Table of Contents (Section 309)
- All budgets and forms are in prescribed format
- The application and copies are contained in appropriately sized three-ring binders.

- **Eligible Applicant**
  CTED staff will verify that all applicant information has been entered in the Program Summary.

Staff will review the certification found in Tab 17 from the Washington State Secretary of State to verify that the applicant is registered to do business in Washington as a nonprofit organization in accordance to RCW 24.03.

Staff will review the letter in Tab 17 from the Internal Revenue Service that designates the applicant as a tax -exempt nonprofit organization.

Staff will confirm the applicant is eligible under Section 202.1.

- **Eligible Activities**
  - Staff will verify that the applicant has entered all necessary information in the Program Summary.

  Staff will review the Program Summary to confirm the type of activity being proposed is eligible under section 202.3.

- **Eligible Project Type**
  Staff will check the proposed project type against the list of eligible/ineligible project types listed in section 202.2.

- **Funding Limits Section**
  Staff will review the applicant request for HTF funds to determine if the requested amount from HTF is not more than $500,000 for homeownership project, $1.5 million per multi-family project or $2 million per applicant or if greater than those amounts, a request for waiver has been made with the assistant director of the Housing Division.

- **Appraisal**
  Staff will check for an appraisal or property tax assessment in Tab 9, if applicable to the project.

- **Environmental Site Assessment**
  Staff will verify that there is an environmental site assessment report for multi-family projects and subdivision developments, which have site control, in Tab 3.

- **Site Control Documentation**
  - Identification of a site or actual site control is required for multi-family or single-family subdivision projects.
  - Staff will review information on site identification or verify evidence of site control in Tab 3 by inclusion of one or more of the following: deed of trust; current option; current purchase and sale agreement; current title report showing entity holding fee simple title; executed lease agreement or an executed disposition and development agreement.
  - There is an exception from this requirement for homebuyer down-payment programs and homeowner rehabilitation,

- **Evidence of Licensing**
  Staff will verify in Tab 8 that the application includes the appropriate license for the population proposed to be served, if required. For example, projects for adult family homes and assisted living require a boarding home license from DSHS. If the applicant will be seeking an initial license, the application must include a letter of support from the licensing agency.
- **Evidence of Financial Commitments**
  Staff will review the sources and uses in the development budget found in Tab 9 in addition to the letters in Tab 10 from the sources confirming commitment to the project.
- **Signed Board Resolution**
  Staff will verify that the application contains a signed resolution from the applicant's board of directors authorizing submittal in Tab 17.
- **Zoning and Local Approval**
  Staff will verify that the application contains evidence in Tab 3 from the local jurisdiction that the site is properly zoned or assurances that decisions regarding variances or special use permits will be obtained prior to HTF contract execution.
- **Consistency with Local Plans**
  Staff will verify that the application contains a letter of consistency with local Consolidated Plan and if applicable Homeless Continuum of Care Plan in Tab 6. **Projects covered by the State's Consolidated Plan need not submit a letter of consistency, as CTED staff will verify consistency.**
- **Capital Needs Assessment for Rehabilitation Projects**
  Staff will verify that the application contains a capital needs assessment for multi-family rehabilitation projects in Tab 9.
- **Construction Costs Estimate**
  Staff will verify that the application contains a construction cost estimate in Tab 9 that is prepared by an independent, professional third party, on third party letterhead. If an applicant has site control, the construction cost estimate must be submitted with the application. If site control has not been obtained, the cost estimate must be submitted upon receipt of site control.
- **Market Study**
  Staff will verify that a market study for multi-family projects and single-family subdivisions is included in Tab 7. The market study must be dated no more than 12 months prior to the application deadline and prepared by an independent, professional analyst who is on the Washington State Housing Finance Commission's approved analyst list. If an applicant has site control the market study must be submitted with the application. If site control has not been obtained, the market study must be submitted upon receipt of site control.

  <u>A market study must accompany the application and is required for</u>:
  - multi-family projects (see glossary)
  - single family subdivision projects
  - condominiums
  - mobile home parks.

Market studies are not required for:

- Scattered site single family projects - rental or homeownership
- Projects for persons with Developmental Disabilities (DD)
- Projects for persons with chronic mental illness (CMI)
- Projects for homeless persons
- Domestic violence (DV) projects
- Special needs projects for persons with chronic substance abuse issues combined with homelessness and/or other conditions requiring intensive support services.
- Group foster care projects
- Tribal projects on tribal land.
- Rent subsidized multi-family projects (project-based)

- **Project Schedule**
  Staff will verify that the application contains a project schedule demonstrating that the project can be completed within 2 years of executing a contract and that all proposed and conditional funds will be committed within 12 months of the HTF award in Tab 4.

- **Additional Threshold Requirements**
  In addition to verifying that the application contains the required documentation, staff will verify that the applicant has complied with all HTF reporting requirements. Staff will also verify that HTF loans are current and performing pursuant to the terms and conditions of such loans. This includes, but is not limited to, timely submission of annual reports, repayment of loans, and timely completion of projects within budget.

Applications will receive a pass/fail after the application format and threshold items have been checked. Applicants will receive written notification of the need to correct minor omissions in the application format and threshold items. Applicants will have 5 business days to submit missing materials.

Applicants who fail to submit the missing items within 5 business days or who submit items that are considered to be unresponsive to HTF guidelines will not be given further consideration. Applications that pass will move to project review and underwriting.

306.4 Project Review Staff will separate the applications into three groups for review: King County, Urban areas outside of King County and rural areas.

- Each group will read and evaluate applications to determine to what extent the proposed project meets HTF criteria, is complete and responds to the questions in four major categories: (1) how the project meets the needs of the target population, (2) project design, (3) financial feasibility, and (4) organizational capacity. Groups will use evaluation forms to record comments. Applications are also evaluated for their general quality.

- Staff may contact applicants for clarification about their responses to the questions and for additional information.

CATEGORY I - PROJECT DESIGN

- **Project Description (Form 2)**
  Staff will review the application to verify that the design elements are included and responsive to the target population.

  Staff will review the application to determine if the proposed scope of work is adequate and if sustainable construction features are included in the design.

  Staff will review information provided on environmental/hazardous materials (Phase 1 Assessment), engineering and architectural studies and reports to determine if proposed scope of work incorporates recommendations made in the studies and reports.

- **Site and Project Readiness (Form 3)**
  Staff will review site control discussion and documentation to determine likelihood of obtaining site control and/or if the terms of site control documents are acceptable and deadlines for closing are reasonable. HTF may recommend that the borrower negotiate an extension.

  Staff will review the current zoning and whether the proposed use is permitted without a re-zone, variance or conditional use permit and if there are any permitting issues.
  Staff will review zoning documents, environmental assessments, and design plans, as applicable, for adequacy and possible impact on project schedule and budget.

  If a site has not been identified or the applicant has not obtained site control, Staff will review the adequacy of the discussion on the location being sought or the likelihood of meeting the timeline for obtaining site control.

- **Project Schedule (Form 4)**
  Staff will check the project schedule and the project cash flow sheet to verify that the schedule is reasonable, is well planned, and can be completed within HTF guidelines in Section 203.5.
  Staff will check that the schedule includes, at a minimum, projected commitment of all funds, land use approvals, and milestones for acquisition and construction.

  Staff will review the cash flow statement and schedule to confirm the timeline for project development is consistent and reasonable.

- **Tenant Relocation Plan (Form 5)**
  Staff will review the relocation plan to ensure it is appropriate, comparable units are available, the budget is adequate, and it is consistent with relocation requirements of any funding source anticipated for the project.

- **Linkage with Local Plans and Programs (Form 6)**

Staff will review how the project is consistent with the Consolidated Plan, the Growth Management Comprehensive Plan and, if applicable, the Homeless Continuum of Care Plan and if it will implement a strategy in one or more of the plans.

Staff will check that applicable letters of support and letters of consistency are submitted as part of the application.

CATEGORY II – HOW DOES THE PROJECT MEET THE NEEDS OF THE TARGET POPULATION?

- **Need (Form 7)**
  Staff will review the responses to the questions regarding the need for the project and supportive documentation to determine if the need for housing for the target population has been documented in the market study or formal needs assessment or evidenced in a local or agency plan reflecting community housing needs.

- **Market Study**
  Staff will review the market study to determine if demand justifies the development of the project. Target Population
  What are the income levels of the proposed target population?

  Are the intended tenants earning less than 50 percent of AMI? If earning from 51 to 80 percent AMI, what circumstances justify the proposal to serve that income level?

- **Duration of Low Income Benefit**
  Staff will review the adequacy of the length of commitment including current and future funding streams to determine adequate support for the duration of benefit to low income or targeted households.

- **Support Services (Form 8)**
  If supportive services are required for the target population, what is the nature and quality of commitments from service providers to provide services to the population?

  Staff will confirm that letters from the service providers are enclosed in the application confirming they are aware of the project and are willing to provide the necessary support services and that the services match the needs of the target population.

  Staff will confirm consistency with Continuum of Care plans and how project will bring households to self-sufficiency.

CATEGORY III – FINANCIAL FEASIBILITY

- **Development Budget (Forms 9A, 9B)**
  Review the sources and uses to verify totals.

Review the HTF request to see if it is within the funding limit. If it exceeds the limit, has a waiver been requested from the assistant director of the Housing Division?

Determine if the ratio of HTF funds to other funds seems high. Have other potential sources of funding been reasonably assumed?

Are private sources included at a reasonable level (not too much or too little)?

Is there too much dependence on a single funding source?

Determine if there is a reasonable likelihood that the project will get the proposed funding from other sources and that the amounts and terms of the funding meet the funding guidelines for the proposed sources of funds. This will likely involve checking with a bank or other public funder(s).

Are there any funding constraints if a project were awarded HOME funds?

Is the purchase price supported by an appraisal?

Was the appraisal completed no more than 12 months prior to the anticipated execution of the state contract?

Is a construction cost estimate and/or capital needs assessment included in the proposal?

Staff will review the construction estimate to assess completeness and determine if costs are reasonable for location and project type.

- Staff will review the capital needs assessment to evaluate if the proposed improvements will render the project viable over the proposed life of the project. Staff will verify that the capital needs assessment is the basis for the rehabilitation construction cost estimate and will assess the suggested reserve contribution.
- Are the construction contingencies adequate (10 percent for new construction, 15 percent for rehabilitation)? Staff will verify that the construction contingencies comply with guidelines in Section 204.2.
- Is hazardous materials testing and any required remediation budgeted appropriately? If further testing was recommended, identify the timeline for completion.
- Are legal fees and permits in line?
- Is relocation, either temporary or permanent, budgeted adequately?
- Are there replacement and operating reserves budgeted in accordance with HTF guidelines in Section 204.5?
- Is the amount from HTF proceeds allocated to developer fee in the development budget not more than 10 percent of the total amount requested from HTF?
- Are the architect and engineer fees reasonable?

- **Development Budget Narrative (Form 9C)**
  Are the line items in the development budget reasonable given how expenses were determined? Take into account what assumptions were used.
  - How do they compare to other similar projects HTF has funded previously?
  - Did an independent, professional third party make estimates?

Residential Unit Cost and Financing Detail (Forms 10A, 10B)
If the project includes non-residential space, are the costs separated from the housing costs and is an eligible source identified to pay for non-residential costs? Are all other financing amounts and terms clearly explained?
Does applicant rank projects if more than on application is submitted?
Is there a discussion of attempts to leverage other funds?

- **Estimate of Cash Flow During Development (Form 11A)**
  Do the funding sources and amounts noted in the cash flow statement match those on the Project Summary and Development Budget?
  - Does the estimate support the project schedule?
  - Are fund sources clearly identified and are they consistent with Project Summary and Development Budget?

- **Proposed Rent Levels (Form 12)**
  - Do the numbers and units match those on the Project Summary and do the proposed rents meet HTF affordability guidelines?
  - Are rents accurately calculated for the target population(s)? Staff will verify proposed rent calculations using HUD income guidelines and FMRs.

- **Operating Pro Forma (Form 13A)**
  - Are the income and expense assumptions reasonable?
  - Is rental income in the operating budget the same as proposed on the rent schedule?
  - Are there other sources of income such as laundry, parking, commercial/retail, and do they seem reasonable or likely?
  - Are utilities budgeted appropriately?
  - Are maintenance and repairs reasonable?
  - Administrative charges should be budgeted (compliance, office supplies, bank charges, telephone).
  - Is the vacancy rate projected to be at least 5 percent?
  - Are the annual inflation factors 2.5 percent for gross income and 3.5 percent for operating expenses?
  - Are the on-site and off-site management fees reasonable and similar in cost to recently funded similar projects?
  - Are replacement reserve and operating reserve payments reasonable? Staff will review the operating budget to verify that the NOI includes operating and replacement reserves.

- If the project has an elevator, is there a line item budgeted for elevator maintenance?
- Is Debt Coverage Ratio sufficient for private and public debt? (Staff will calculate the overall DCR using the following formula: Net Operating Income/current amortizing debt = Debt Coverage Ratio.) Staff will verify that the DCR is within HTF guidelines in Section 204.7.
- Does the proposed operating pro forma verify that the proposed loan terms are feasible for the type of project and to ensure long-term viability?
- Staff may contact the applicant to negotiate the terms of the loan based upon the guidelines in section 201.5

- **Details of Operating Budget Revenues and Expenses (Form 13B)**
  Are actual costs used as a basis for expense estimates? If not, what is the basis for the estimates and is this reasonable?

- **Details of Service Revenues and Expenses (Form 14)**
  - Does the support service budget account for all services provided?
  - Are the funding sources for the support service budget realistic?
  - Is funding for support services potentially available on an ongoing basis? If not, what plans are there in the event a specific funding source is lost?
  - If cash flow is intended to pay for support services, specific approval from staff is required. Review detailed information on the type and amount of services and make recommendation for approval or disapproval.

CATEGORY IV – ORGANIZATIONAL CAPACITY
Staff will review the following elements to assess the capacity of the organization to develop and manage the proposed project:

- **Property Management Plan (Form 15)**
  - Does the proposed management plan seem reasonable given the population to be served and the type of housing project?
  - Is there an appropriate process for determining eligibility and tenant selection?

Staff will discuss the proposed property manager's track record and any problems or concerns with compliance staff.

- **Experience of Applicant/Development/Management Team(s) (Forms 15, 16A, 16B)**
  - Staff will review and evaluate the application to determine if the skills and experience of the development team and the property management team are appropriate to the size and complexity of the project.

  - Staff will review the information submitted by the applicant to assess the degree to which the development and property management team members can successfully develop and/or manage the proposed project.

- Staff will review the borrower's track record to determine performance and ability to meet contracted outcomes.

- Staff will review the borrower's record **in completing annual reports and other required reports.**

- **Financial Capacity of Applicant (Form 17)**
  - Staff will review the borrower's financial audit, financial statements and 990's (if applicable) and will calculate key liquidity and leverage ratios.

  - How long has the applicant been in operation?

  - Does the applicant have sufficient experience in managing and accounting for public funds?

  - Is there a current report from the licensing agency, if applicable?

Staff will confirm submission of and adequacy of the list of board members, board resolution, current Secretary of State certification, and IRS tax-exempt status documentation.

After applications have been evaluated and projects underwritten they will be grouped by geographic regions and ranked according to the score they received. If there are more qualifying applications in any one geographic group than the amount of funds allotted to the group, applications will be ranked according to the priorities outlined in RCW 43.185.070.

Section 307 Award of Funds

Award announcements to HTF applicants, legislators and other interested parties will be made upon completion of HTF application review, staff recommendations, and HTF funding decision processes.

307.1 Notification

Applicants, legislators and other interested parties will receive prompt notification of HTF funding decisions. Award notification will occur approximately 10 weeks after the submission of HTF applications.

- **HTF Applicants**

  Staff will provide a funding award or denial letter to all applicants within 7 working days of completion of the HTF funding decision process.

  Funding award letters will include:
  - Funding Source(s)
  - HTF loan terms;

- Any award conditions; and
- The name of the assigned contract manager for each project.

Funding denial letters will identify the lead HTF application reviewer for each project as a point of contact. The reasons for denial will be discussed with applicants during technical assistance calls with HTF application reviewers.

- **Legislators**
  Staff will provide written notification to legislators regarding funding awards in their legislative districts. Such notification will be provided simultaneously with notification to HTF applicants. Legislative letters address the following items:
  - Identify the applicant and project name;
  - Project location; and
  - A brief description of the project, including award amount.

- **Other Interested Parties**
  Staff will post a copy of the HTF funding award list on the Housing Division web site at http://housing.ocd.wa.gov. HTF staff will also forward the list, upon request, in electronic or in hard copy form, to all interested parties.

Section 308 Reconsiderations
HTF applicants may request reconsideration of the denial of HTF funding for projects.

- Reconsideration requests must be submitted to the Assistant Director of the Housing Division within 10 working days of applicant's receipt of HTF award notifications.
- Staff will review each request and provide summaries to CTED Management.
- Staff will contact applicants, as necessary, to request additional information regarding their request for reconsideration.
- Response to an applicant's request will be provided within 15 working days of HTF's receipt of the request for reconsideration.